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Leasing issues and rental rates for 2012

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Farmland rental rates increase sharply for 2011

by William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

Anyone who is involved with the rental market for Iowa farmland knows that rental rates were pushed significantly higher by the favorable corn and soybean prices that farmers enjoyed in 2007 and early 2008. That was followed by lower prices in late 2008 and 2009, which took much of the steam out of the land market. Prices took off again in fall of 2010 due to tight grain supplies and increased demand worldwide. It didn't take long for those prices to be reflected in cash rents.

Results from the most recent Iowa State University Extension rental rate survey estimated that the average cash rent for corn and soybean land in the state for 2011 was \$214 per acre, an increase of \$30 per acre or 16 percent from last year. This is the largest one-year increase since the statewide survey was started in 1994. Even more interesting, though, was the range of typical rents reported. For most counties the lower end of the range was about the same as in 2010, but the high end of the range was as

much as \$50 to \$100 an acre above last year. Remember, the range represents the highest and lowest estimates of typical rents for high, medium and low quality land by respondents who replied for each county. They do not represent rents for individual farms.

Average rents were higher in all nine crop reporting districts, with increases ranging from \$23 per acre (12 percent) in east central Iowa to \$37 per acre (21 percent) in southwest Iowa. Individual farm rents that were set before the Sept. 1, 2010, termination deadline probably changed very little, while rents that were negotiated later likely reflected the higher corn and soybean prices being offered then.

The intent of the Iowa State survey is to report typical rents in force, not the highest or lowest values heard through informal sources. Rental values were estimated by asking over 3,000 people familiar with the land market what they thought were typical rates in their county for high, medium and low

quality row crop land, as well as for oats, hay and pasture acres. The number of responses received this year was 1,567, an increase of 25 percent over last year. Of these, 33 percent came from farmers, 24 percent from landowners, 22 percent from professional farm managers, 14 percent from lenders, and 7 percent from other professionals.

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Handbook updates

For those of you subscribing to the handbook, the following update is included.

Cash Rental Rates for Iowa 2011 Survey -- C2-10 (11 pages)

Please add this file to your handbook and remove the out-of-date material.

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Farmland rental rates increase sharply for 2011, continued from page 1

The Cash Rental Rates for Iowa 2011 Survey is available online as a downloadable document; from the Ag Decision Maker website <http://www.extension.iastate.edu/agdm/wholefarm/pdf/c2-10.pdf> and from the ISU Extension online store at <http://www.extension.iastate.edu/Publications/FM1851.pdf>.

Other resources available for estimating a fair cash rental rate include the Ag Decision Maker information

files Computing a Cropland Cash Rental Rate (C2-20) <http://www.extension.iastate.edu/agdm/wholefarm/html/c2-20.html> and Flexible Farm Lease Agreements (C2-21) <http://www.extension.iastate.edu/agdm/wholefarm/html/c2-21.html>. Both documents include decision file electronic worksheets to help analyze leasing questions.



2011 ACRE enrollment deadline nears

by Steven D. Johnson, farm and ag business management specialist, Iowa State University Extension, (515) 957-5790, sdjohns@iastate.edu

Farmers nationwide have until June 1, 2011, to sign up at their USDA Farm Service Agency (FSA) office for the annual Direct and Counter-Cyclical Payment (DCP) program. This is the same deadline to also enroll in the Average Crop Revenue Election (ACRE) program.

The ACRE enrollment is optional by FSA farm number with payments triggered by state-level, crop specific revenue losses. ACRE acts in place of the price-only based Counter-Cyclical Payment (CCP). The ACRE program is a much better revenue safety net than the price-only CCP if you have a combination of yield and price that results in low state and farm revenue.

Iowa farmers have only enrolled 16 percent of their base acres in the ACRE program to-date, according to FSA data. Once a farm is enrolled in ACRE, that farm stays in the program through the 2012 crop year and the farmer gives up 20 percent of the annual direct payment and loan rates for bushels on that farm are reduced by 30 percent. In summary, farmers can enroll farms by FSA farm number in the ACRE program and receive revenue protection based on a state-level, crop specific revenue guarantee.

Will Iowa farmers enroll additional farms in the 2011 ACRE program?

The probability of collecting a 2011 ACRE payment in Iowa seems remote based on current price forecasts for the 2011-12 marketing year which begins Sept. 1.

In February 2011, USDA projected the national average cash price for corn would be \$5.60 per bushel and

\$13 per bushel for soybeans. These numbers could be updated in the May 11, 2011 USDA World Ag Supply and Demand Estimates (WASDE) report. With continued tight U.S. ending stocks forecast for both 2011 corn and soybean crops, ACRE payments in Iowa will be hard to trigger.

The 2011 ACRE projected revenue guarantee for corn in Iowa is expected to be \$645 per acre. This uses a 169 bushel per acre average for the 5-year Olympic average yield times the 2-year average cash price of \$4.48 per bushel times 90 percent. However, the state trigger can't change by more than 10 percent from the 2010 guarantee which was \$586.36 per acre. Thus, the 2011 projected guarantee is limited to no more than \$58.64 per acre more than the \$586.36 per acre 2010 revenue guarantee.

Using the 2011 ACRE revenue projected guarantee of \$645 per acre, a combination of a low state yield and a low national average cash price would be needed to trigger a 2011 ACRE payment at the state level. Since Iowa is the largest corn producing state, the chance of this occurring isn't likely.

Corn Example: Suppose in 2011, Iowa produces a final state corn yield equal to the 5-year Olympic average yield of 169 bushel per acre. The national average cash price for the 2011 crop would have to drop below \$3.81 per bushel (\$645/A divided by 169 bu/A) to trigger an ACRE payment at the state level. In February 2011 USDA forecast a national average cash price of \$5.60 per bushel for the 2011-12 marketing year.

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